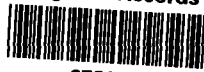




EPA Region 5 Records Ctr.



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U.S. Department of Justice

Environment and Natural Resources Division

BSG:AML
DJ No. 90-11-3-1620/2Environmental Enforcement Section
P.O. Box 7611 Telephone: (202) 514-4213
Washington, D.C. 20044-7611 Facsimile: (202) 616-6584

August 29, 2002

VIA EMAIL, TELECOPY, AND REGULAR MAILGary Franke, Esq.
120 E. Fourth St.
Suite 560
Cincinnati, OH 45202Re: United States v. Aeronca, Inc. et al.
Civil Action No. 1:01 CV 00439
Settlement Discussions

Dear Mr. Franke:

I want to record in writing that last Friday, August 23, 2002, I called you regarding document issues, but I also brought up settlement in that conversation. Specifically, I followed up on your letter of August 22, 2002, in which you stated that your client would be interested in a "reasonable" settlement. On August 23, 2002, you and I spoke for approximately one-half hour regarding settlement. During our conversation, I indicated that each person's definition of "reasonable" differed, so I was not sure if your client really was serious about settlement or not. I indicated that your client's last offer was way off the mark, and to use his offer as a starting point for negotiations would be like me "bidding against myself." I indicated that you should advise your client that the United States will not settle this matter for a five figure amount and if that is what Mr. Clarke has in mind, then there is no need to pursue settlement talks.

I also mentioned the prior settlement offers in this case. Specifically, I indicated that the PRPs had made a settlement demand of \$616,804, based on the ADR report. Then, I indicated that the United States had made a demand of \$688,304 (based on revised costs) in a letter dated July 12, 2001. Thereafter, in that same month -- as we discussed last week -- your client made his first and last offer (which I indicated was extraordinarily low). After bringing up the prior settlement offers, I indicated to you that the United States was willing to come down from its last offer. Indeed, I advised you that based on the evidence that I preliminarily had reviewed, I believed that the allocator had given your client too great a share, and that I was willing to take a serious look at what would be my view of a better allocation. I clearly indicated my willingness to come down from the \$616,804 offer.

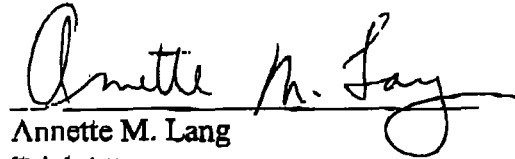
You indicated that you heard what I was saying. You then indicated that you would try to have a serious settlement discussion with your client this week (i.e., the week of August 26, 2002). You indicated that you would get back to me.

I have not heard from you. I put this in writing to state that the ball is in your court. I am waiting for you. I have signaled a willingness to come down, so it is time for you to indicate whether your client is prepared to come up.

I remind you that this "window" for settlement discussions is fairly narrow. As I indicated in my letter of August 21, 2002, the time between now and mid-September is when you will see the lowest offer from the United States (absent a later, adverse ruling against the United States). By late September, the United States will start to incur expert witness costs, and our demand will go up. As you are aware, in a litigated case, under the doctrine of joint and several liability, the United States does not have to concern itself with allocation issues at all. Thus, I am making it clear to you now that I am willing to deal with allocation at this time. If serious settlement discussions do not occur now, and if you and your client decide at a later stage in the proceedings that settlement makes sense to you, you should not expect the United States to focus significantly on volumetric allocation. Other factors in determining a settlement amount become much more critical the longer this goes on.

Thus, if your client is serious about settling, you need to make a move.

Sincerely,

A handwritten signature in cursive script, appearing to read "Annette M. Lang", written over a horizontal line.

Annette M. Lang
Trial Attorney

cc: Mike O'Callaghan